

Message Text

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ACTION EB-08

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PARIS FOR USOECD

USDOC FOR MAJOR EXPORT PROJECTS

FROM AMBASSADOR WELLS

E.O. 11652: N/A
TAGS: OCON, ECOSOC
SUBJECT: UN COMMITTEE OF THE WHOLE (COW)

1. WOULD LIKE TO SUGGEST THAT AN INITIATIVE TO STIMULATE
FURTHER CO-FINANCING BE PRESENTED AS A PROPOSAL AT
SEPTEMBER COW MEETING IN ORDER TO "CONCLUDE" THE ITEM ON
"TRANSFER OF RESOURCES" BROUGHT FORWARD FROM MAY MEETING.
EXPANSION OF CO-FINANCING PRINCIPLE HAS BEEN UNDER
DISCUSSION IN DAC (SEE DAC (78)16) AND HAS ALSO FIGURED
IN RECENT UK THINKING. SUCH A PROPOSAL WOULD BE
PRIMARILY DIRECTED TO THE MOBILIZATION OF INVESTMENT
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FLows to the developing countries through greater
participation of the commercial banking sector via the
co-financing mechanism. Coupled with the positive
language on the benefits of investment under proper
conditions (including a successful conclusion to code
of conduct on TNC's) which was agreed to at May meeting
before the text negotiations broke down, an initiative

ON CO-FINANCING COULD BECOME THE "CONCEPTUAL BREAKTHROUGH" CHAIRMAN JAZAIRY IS LOOKING FOR AS A RESULT OF THE COMMITTEE'S WORK. SUCH A PROPOSAL WOULD ALSO HAVE THE ADVANTAGE OF ADDING CONTENT TO THE NEW FORMAT FOR FUTURE COW MEETINGS THAT USG HAS BEEN SUGGESTING. IN OTHER WORDS, AFTER A PERIOD OF REFLECTION IN CAPITALS FOLLOWING INTENSE DISCUSSION OF A SUBJECT, IT WAS POSSIBLE TO COME UP WITH AN INITIATIVE.

2. IF DEPARTMENT SEES MERIT IN SUCH AN INITIATIVE, A FURTHER ASPECT THAT MIGHT BE CONSIDERED IS THAT OF RAISING THE AFRICAN TRANSPORT AND COMMUNICATIONS DECADE (ATCD) IN THE CO-FINANCING CONTEXT. THE CO-FINANCING MECHANISM HAS THUS FAR BEEN CONFINED TO A RATHER LIMITED NUMBER OF PRIVILEGED MIDDLE-INCOME COUNTRIES AND TO INDUSTRIAL PROJECTS WITH TRADITIONAL CASH FLOW RETURNS. THE REAL CHALLENGE TO BE DEALT WITH IS THAT OF FINANCING IN LOW-INCOME COUNTRIES AND FOR INFRASTRUCTURE PROJECTS. THE ATCD WITH ITS COMMITMENT FROM CIEC NON ONLY PROVIDES THAT CHALLENGE BUT ALSO THE OPPORTUNITY TO MAINTAIN, OR EVEN INCREASE, THE FLOW OF PRIVATE FINANCE INTO COMMODITY PRODUCTION. AT THE SAME TIME, IT WOULD APPEAR THAT INFRASTRUCTURE IS AN ESSENTIAL COMPONENT FOR IMPLEMENTING A BASIC HUMAN NEEDS DEVELOPMENT STRATEGY, MOST CERTAINLY IN THE CASE OF RURAL DEVELOPMENT.

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3. IT IS MY STRONG IMPRESSION THAT SUCH AN INITIATIVE WOULD BE WELCOMED BY G-77, A NUMBER OF WHOM ARE FULLY AWARE OF THE STATE OF SIEGE THAT OUR AID BILL IS UNDERGOING. PROPOSAL TO STIMULATE CO-FINANCING WOULD ALSO BE OF INTEREST TO US ENGINEERING, DESIGN CONSTRUCTION AND CAPITAL EQUIPMENT SECTORS. MOST IMPORTANT OF ALL, AS IS ELOQUENTLY STATED IN DAC (78)16, "ONE REASON FOR THE PRESENT WORLD ECONOMIC STAGNATION IS THAT ECONOMIC OPERATORS ARE LOCKED INTO A PSYCHOLOGICAL STALEMATE CHARACTERIZED BY A WIDESPREAD FEELING OF UNCERTAINTY WHICH FEEDS ON ITSELF...AS PUMP-PRIMING MEASURES IN THIS CONTEXT, EVEN LIMITED GOVERNMENT ACTIONS..COULD BECOME POWERFUL LEVERS AND CATALYSTS TO MOBILIZE INITIATIVES BY INTERNATIONAL BANKING COMMUNITY, MULTILATERAL ENTERPRISES AND THE PRIVATE SECTOR WITHIN OECD COUNTRIES". VANDEN HEUVEL

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